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NATIONAL ACCOUNTS AND BALANCES

THE REVISION AND EXTENSION OF THE SNA, 1952

Memorandum of the Secretary-General

1. This paper indicates the progress which has been made in revising and extending the SNA since the fourteenth session of the Statistical Commission. It also outlines the further work in respect of national accounting and related subjects which it seems desirable to undertake.

I. Progress in Revising the SNA

A. Preparation of Document E/CN.3/356

2. In accordance with the programme of work outlined by the fourteenth session of the Statistical Commission, a complete and detailed description of the proposed new SNA was prepared. This document, Proposals for the Revision of the SNA, 1952; August 1967, E/CN.3/356, is before the present session of the Commission. It furnishes a comprehensive description of the structure, concepts and classifications of the revised system and detailed definitions and standard accounts and tables in respect of all aspects of the new SNA except national and sector balance sheets. Also discussed are the concepts, methods and problems of compiling national accounting data at constant prices and the uses of the data of the system in input-output analysis. The last chapter of the report gives a suggested adaptation of the full new SNA to the requirements and circumstances of the developing countries.

3. Document E/CN.3/356 reflects the consensus of two rounds of consultations with

national statistical authorities and other groups, and the conclusions of the first two sessions of the Expert Group on the Review of National Accounts and Balances and the thirteenth and fourteenth sessions of the Statistical Commission, in respect of the two earlier reports on the proposals to revise and extend the SNA, namely, documents E/CN.3/320 and E/CN.3/345^{1/}. It is also based on the results of studies and discussions conducted during the six month period following the fourteenth session of the Commission. Meetings of working groups were held in Africa, Asia and Europe on national accounting at constant prices; and a working group of the Conference of European Statisticians discussed statistics of the distribution of income and wealth in relation to the revised SNA and MPS^{2/}. In addition to these

1/ A System of National Accounts (Proposals for the Revision of the SNA, 1952), E/CN.3/320, 9 February 1965, Statistical Commission, Thirteenth session; and Proposals for Revising the SNA, 1952, June 1966, E/CN.3/345, 28 June 1966, Statistical Commission, Fourteenth session.

2/ The discussions of the working groups on national accounts at constant prices are given in Report of Working Group on National Accounts at Constant Prices, E/CN.14/382, Economic Commission for Africa, Eighth session; Report of Working Group of Experts on National Accounts, E/CN.11/L.171, Economic Commission for Asia and Far East, Twenty-third session; and Report of the Group of Rapporteurs on National Accounts and Balances in Constant Prices, Conf.Eur.Stats/WG.22/GR.5/4, Working Group on National Accounts and Balances, Conference of European Statisticians. The report of the meeting in Europe on income distribution statistics is Report of the Working Group on Statistics of Income Distribution, Conf.Eur.Stats/WG.27/5, Conference of European Statisticians.

topics, the important studies conducted for purposes of preparing document E/CN.3/356 concerned input-output analysis and the major unresolved questions which were raised about the structure, classifications, and standard accounts and tables of the new SNA during the course of the discussion of the report E/CN.3/345.

B. Consultations and Comments in respect of Document E/CN.3/356

4. Document E/CN.3/356 has been the subject of a round of consultations with national statistical authorities and regional working groups. Meetings have been held in Africa, Asia, Latin America and Europe^{3/}. Comments on the report have also been received from a number of statistical offices, individually.

5. The third session of the Group of Experts on the Review of National Accounts and Balances met 20 - 30 November 1967 to consider document E/CN.3/356 in the light of the discussions of the regional working groups and the comments received from national statistical authorities. The report of the discussions and conclusions of the third session of the Expert Group, document E/CN.3/357, is before the Commission. It mainly describes the questions concerning the organization and proposals of document E/CN.3/356 which were raised by the regional working groups and in comments of national statistical authorities, and gives the conclusions reached by the Experts in respect of these questions and a few additional issues raised in the course of the meeting of the Group.

^{3/} The reports of the meetings of these working groups which are available at the time this paper is being written are: Report of the Working Group on the Revision of the United Nations System of National Accounts, Fifth Conference of African Statisticians, E/CN.14/CAS.5/NAC/27, Draft Report of the Working Group of Experts on National Accounts, Conference of Asian Statisticians; Draft Report, Working Group on National Accounts, Economic Commission for Latin America and United Nations Statistical Office; Report of Session Held in Geneva 9 - 19 October 1967, Working Group on National Accounts and Balances, Conference of European Statisticians, Conf.Eur.Stats/WG.22/18.

6. It may be noted from the Report of the Group of Experts that the issues raised in the course of the consultations on document E/CN.3/356 have all been resolved. Most of these questions were disposed of in the course of the meetings of the regional working groups; and the Experts re-affirmed the conclusions of these meetings. Some additional questions which were left undecided by the regional meetings or were the subject of divergent views, have been resolved by the Experts themselves. In almost all instances, the Group of Experts reached unanimous conclusions.

7. The Report of the Group of Experts indicates the aspects of the description of the proposed new SNA in document E/CN.3/356 which should be amplified or clarified; and suggests other improvements in the presentation of the system which should be made in the final document on the system. It recommends some alterations and modifications in the structure, classifications and definitions, and standard accounts and tables of the revised SNA, and requests that the Secretariat study the necessity of making certain changes in the schemes of classification for household goods and services and unrequited current transfers. The Report also sets out certain modifications which should be made in the chapter of document E/CN.3/356 on the adaptation of the full new system for the use of the developing countries.

C. Conclusions in respect of Revised SNA

8. Thus a consensus has been reached on the structure and concepts, classifications and definitions, and standard accounts and tables of the revised and extended SNA and on the adaptation of the full new system to the requirements of the developing countries. It should be noted however that the schemes which are to be included in the revised SNA for purposes of classifying establishment-type and enterprise-type statistical units according to kind of economic activity are to reflect the consensus reached on a revised ISIC. There appears to be general agreement that the new system will be of value to countries in developing their national accounts and co-ordinated systems of basic statistics; and will furnish a suitable basis for arranging for the international reporting of comparable national accounting data.

9. The Commission may therefore wish to reach the following conclusions in respect of the revised and extended SNA: The Statistical Commission considering that a revised and extended SNA has been formulated which will be of value to countries in improving and developing their national accounts and co-ordinated systems of basic economic statistics and which will furnish a suitable basis for arranging for the international reporting of comparable national accounting data, requests the Secretary-General:

- i. To prepare a comprehensive description of the revised and extended SNA based on document E/CN.3/356 modified and amplified as recommended by the Third session of the Expert Group on the Review of National Accounts and Balances;
- ii. To publish the comprehensive description of the revised and extended SNA in the official languages; and to distribute copies of the publication to national statistical authorities, specialized agencies, and other interested international organizations.

II. Other Further Work on National Accounting

10. The further work connected with the revised and extended SNA can be divided into five broad areas:

- i. Devising questionnaires for the international reporting of comparable data based on the new system;
- ii. Delineating links between the revised and extended SNA and MPS (Material Product System of Balances) and common aggregates in respect of the two systems;
- iii. Preparing technical manuals in respect of various aspects of the new SNA, and
- iv. Formulate definitions, classifications and standard accounts and tables in respect of the balance-sheet and related statistics included in the new SNA.

- v. Develop international guide-lines in respect of complementary bodies of statistics to the two systems of national accounts and balances.

A. International Reporting

11. It is proposed to introduce new questionnaires in 1969 for purposes of reporting data for the year 1968 for inclusion in the Yearbook of National Accounts Statistics. The questionnaires would be based on the revised and extended SNA in the case of countries with market economies and on the developed MPS in the case of countries with centrally planned economies. The questionnaires are to be drafted in co-operation with the appropriate international organizations; and are to be the subject of consultations with national statistical authorities and interested international bodies during the latter half of 1968.

12. In the case of either the new SNA or MPS, it is expected that at first the questionnaires will not deal fully with the data of the system. As compared to the present questionnaire, new series of data which would be added, will be limited to those which are urgently required internationally and which a significant number of countries are able to supply. It may be desirable to devise two questionnaires for use in the case of countries with market economies: a much fuller, more detailed questionnaire for the statistically developed countries than for other countries. The scope and detail of the national accounting data requested internationally would be amplified as countries improve and extend their systems of national accounts and balances. In any case, it seems appropriate to limit the international reporting of the series of data of certain aspects of the new systems, e.g., the detailed input-output tables of the SNA or the detailed data needed to link and convert key aggregates of the SNA and MPS, one to the other, to infrequent intervals only.

B. Links between the SNA and MPS

13. An important aspect of the review of the SNA and MPS has been extending the common ground between them and, where this is not feasible, providing the means of linking the two systems. This aspect of the review of the national accounts and balances, and the further work of delimiting the links and perhaps common aggregates, are discussed in document E/CN.3/362, which is before the fifteenth session of the Commission.

C. Technical Manuals and Assistance Relating to the New SNA

14. The meetings of the working groups in the developing regions of the world on document E/CN.3/356, as well as earlier versions of the proposals for revision of the SNA, emphasized the need for technical manuals concerning various aspects of the revised and extended SNA. These working groups recommended that the highest priority should be given to preparing two manuals: one on the national accounts at current prices and the other on national accounting data at constant prices. The third session of the Expert Group agreed that these technical manuals would be of considerable assistance to the developing countries in using the new SNA to develop their national accounts and associated basic statistics, systematically.

15. As the working groups and Expert Group recommended, the technical manual on national accounting at current prices would deal in detail with all aspects of the system other than flow-of-funds and balance sheets. It would discuss the co-ordinated series of basic statistics required for purposes of compiling the standard and supplementary accounts and tables of the new SNA and the approaches to, and the methods and techniques of, using the series of basic data in making these estimates. The technical manual should therefore be of assistance to the statistically less advanced countries in planning the systematic development of basic statistics, as well as in designing and working out national accounts and supporting tables. The manual on national accounting series at constant prices would be concerned with the requirements for, and concepts of, these series in

addition to the indicators of price and quantity for, and methods of, making estimates.

16. In addition to the technical manuals outlined above, it is desirable to prepare manuals on two other aspects of the new SNA.

17. The Thirteenth session of the Statistical Commission requested revision and extension of the study, Problems of Input-Output Tables and Analysis,^{4/} after the revised and extended SNA is accepted. Data for purposes of input-output analysis is an integral part of the new system. It also includes suggestions as to the ways in which these series of data might be used in various forms of input-output analysis. The approach to input-output analysis taken in the new SNA is not dealt with in the aforementioned publication. Other developments, e.g., in national practice in input-output work and in the uses and techniques of input-output analysis, also call for revision of the study.

18. National statistical offices may also find it useful to have a manual on the parts of the new SNA which are concerned with flow-of-fund and balance-sheet statistics. A number of statistically advanced countries are improving and extending, or propose to develop the financial statistics required for these purposes. They may find it valuable to have a manual which is designed to provide for an exchange of practice, experience and views on the collection, and use in national accounting, of these statistics. The manual should deal in detail with the character and specification, and the sources and techniques of collection, of the basic data for compiling the standard accounts and tables of the new SNA on flow of funds and balance sheets. It should also discuss the ways in which these series of basic data may be used in order to compile the accounts and tables. Preparation of this manual should be deferred until after detailed definitions and standard accounts and tables in respect of balance-sheet statistics are incorporated into the revised and extended SNA. This will also permit the use of a greater accumulation of national experience on this subject in writing the technical

^{4/} Studies in Methods, Series F, No. 14, Statistical Office of the United Nations, New York, 1966.

manual.

D. International Guide-Lines

19. As is noted above, it is necessary to furnish definitions and standard accounts and tables in respect of the balance-sheet statistics included in the new SNA. The concepts and classifications of these statistics are already covered in document E/CN.3/356. In order to complete the detailed description of the system it is also necessary to lay down detailed definitions, classifications and standard tables in respect of the revaluation accounts and the one-dimensional concept of the stock of fixed assets. The revaluation accounts furnish the link between the capital finance accounts and balance sheet accounts of the new SNA. The one-dimensional approach to measuring the stock of fixed assets, i.e., taking account of reduced capacity to produce but not reduced life-span, supplements the two-dimensional concept used in the balance sheet accounts; and is represented by the figures of the stocks which are linked by the capital formation accounts of the system.

20. As the Report of the Third session of the Group of Experts indicates, in addition to detailed suggestions concerning the balance-sheet and revaluation statistics to be included in the new SNA, it is desirable to formulate international guide-lines in respect of certain systems of statistics in close relation with the systems of national accounts and balances.

21. It would be valuable to have international guidance in respect of coherent and interrelated bodies of price and quantity statistics which could serve as series of indicators in national accounting at constant prices and in many aspects of economic analysis. The national accounts and balances furnish appropriate frameworks within which to formulate such an integrated system of price and quantity statistics. The international guide-lines in respect of an integrated system of price and quantity statistics would represent revised and extended versions of the recommendations of the Statistical Commission concerning statistics of wholesale (producer) prices

and index numbers of industrial production. It should be noted that the Thirteenth session of the Statistical Commission, in Resolution 11, requested that a draft set of new guiding principles be formulated in respect of statistics of prices.

22. Another class of statistics which it would be useful to fit into the systems of national accounts and balances are statistics of research and development expenditure. The systems of national accounting appear to furnish appropriate frameworks for defining and classifying these statistics and for correlating the data with other series for purposes of analyzing the effects of research and development expenditure on the growth, resources and health of an economy. The Thirteenth session of the Commission drew attention to the need for a study of methods of assessing expenditures on scientific and engineering research and training of, and requirements for scientific and technological manpower. A study of statistics of research and development, document E/CN.3/387, is before the Fifteenth session of the Commission.

23. The two preceding sessions of the Statistical Commission have already included in the programme of work the development of a system of statistics of distribution of income and wealth which is complementary to the systems of national accounts and balances. A paper on this subject, document E/CN.3/363, is before the Fifteenth session of the Commission. Another project which the Thirteenth session of the Commission included in the programme of work is the formulation of proposals for systems of labour, demographic and other social statistics which are correlated with, or at least closely related to, the systems of national accounts and balances. These series of statistics must be used in conjunction and related, one with the other, in a number of forms of social and economic analysis. For these purposes it would be advantageous to assemble labour, demographic and other social statistics into a common framework and to correlate this framework with the systems of national accounts and balances.

E. Conclusion

24. As a result of considering the paragraphs above, the Statistical Commission may wish to request the Secretary General:

- i. To design questionnaires for purposes of gathering comparable data internationally based on the revised and extended SNA and MPS, in co-operation with interested international organizations and in consultation with national statistical offices.
- ii. To prepare, in co-operation with the International Monetary Fund, draft detailed definitions, classifications and standard accounts and tables in respect of the balance-sheet and revaluation accounts of the new SNA, with the advice and assistance of a Group of Experts as necessary and in consultation with national statistical authorities; and to report on the work to the Sixteenth session of the Statistical Commission.
- iii. To prepare technical manuals in respect of the following aspects of the revised and extended SNA with the assistance of expert consultants as necessary: (a) data at current prices of the production, income and outlay and capital finance accounts excluding flow-of-funds, (b) national accounting series at constant prices, (c) input-output tables and analysis; and (d) flow-of-funds and balance-sheet statistics.
- iv. To draft, in consultation with national statistical authorities and the specialized agencies concerned, guide-lines in respect of the concepts, definitions, classifications and methods of compilation of the index numbers and other series of an integrated system of price and quantity statistics which fit into the framework of the national accounts and balances; and to report on this subject to the Sixteenth session of the Commission.

- v. To study, with the assistance of individual experts, the concepts, definitions, classifications and tabulations of statistics of outlays on research and development which fit into the systems of national accounting.
- vi. To develop, in consultation with the specialized agencies concerned, proposals for a coherent, preferably integrated system of demographic, manpower and other social statistics which is correlated with the national accounts and balances, with the advice and assistance of individual experts and an expert Group.

Programmes of work concerning the correlation of the new SNA and MPS, one with the other, and statistics of the distribution of income and wealth are proposed in documents E/CN.3/362 and E/CN.3/363, respectively.